

# INTRODUCTION: PUTTING A SPOTLIGHT ON AID FOR TRADE

## INTRODUCTION

Trade can be a powerful engine for economic growth, poverty reduction and sustainable development. Yet harnessing the power of trade can be difficult for some developing countries, particularly the least-developed ones. These countries often lack the capacity – in terms of information, policies, institutions, infrastructure and a vibrant private sector – to integrate and compete effectively in expanding regional and global markets. The Aid-for-Trade Initiative, launched in 2005 at the Hong Kong WTO Ministerial Conference, has established a comprehensive framework for tackling these trade-related bottlenecks. The Initiative aims to link aid and trade in a holistic strategy for reducing poverty in developing countries.

To distribute the global benefits of trade reform and market integration more equitably across and within developing countries, trade priorities need to be mainstreamed in national development strategies - and these strategies need to be translated into operational programmes and projects, backed by additional, predictable, and sustainable concessional financing. Shining a spotlight on aid for trade – to assess what is happening, what is not happening, and where improvements are needed – can help to build confidence that trade-related needs are being met and that development assistance and other official flows are delivering the expected results.

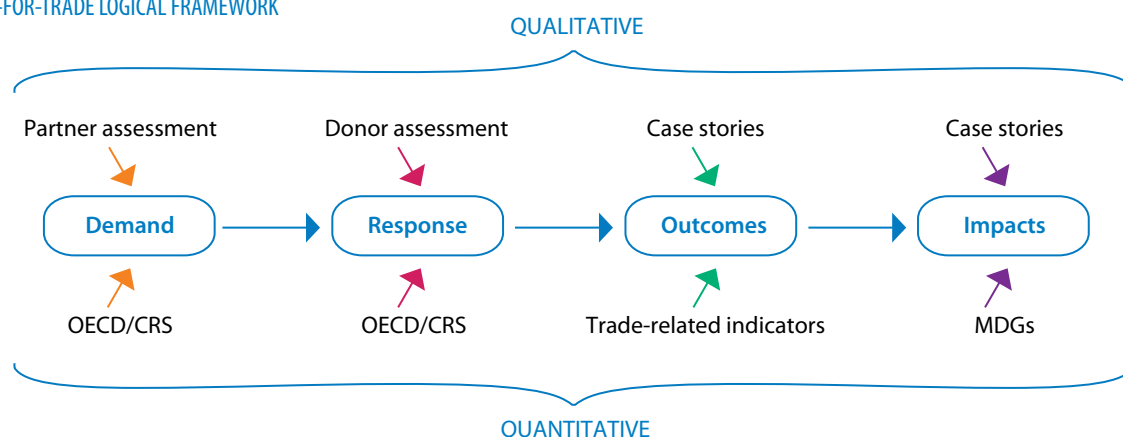
There are many different methods for assessing whether the Aid-for-Trade Initiative is delivering results in terms of building trade capacities and generating pro-poor economic growth. These range from *ex ante* cost-benefit analyses of projects and programmes and *ex post* evaluations, to sector-wide analyses, country-based case studies, literature surveys and regression analyses correlating aid to trade performance, economic growth and poverty reduction. These tools have different strengths and weaknesses and are used for different purposes. Although they all provide different perspectives they also complement each other and, taken together, provide a comprehensive snap shot of whether aid for trade is delivering the expected results.

This publication is mainly based on information generated by the OECD/WTO monitoring framework which focuses on accountability mechanisms at two levels:

1. at the *local level*, to foster genuine local ownership and to ensure that trade-related needs are integrated into national development strategies and adequately addressed by donors; and
2. at the *global level*, to increase transparency about what is happening at the local level, what is not happening and where improvements are required.

The value of the monitoring framework lies in creating incentives - through enhanced transparency, scrutiny and dialogue (*i.e.* by shining a spotlight on progress) - to strengthen synergies between trade and complementary policies in developing countries, as well as between aid for trade and overall development strategies of partner countries and donor agencies. These synergies are essential to effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness. Local accountability will encourage country ownership and ensure that programmes and projects are managed with a clear focus on results. The Global Review will encourage all key actors to honour commitments, meet local needs, improve effectiveness, and reinforce mutual accountability.

## THE AID-FOR-TRADE LOGICAL FRAMEWORK



The next section explains the aid-for-trade monitoring framework in more detail. This is followed by an overview of the WTO Members, Observers and international organisations that participated in the third monitoring exercise. Finally, the last section provides an assessment of the participating countries' and agencies' views on the usefulness of the global monitoring exercise.

## THE MONITORING FRAMEWORK

The logical framework for assessing the Aid-for-Trade Initiative is based on four main elements identified by the WTO Task Force:

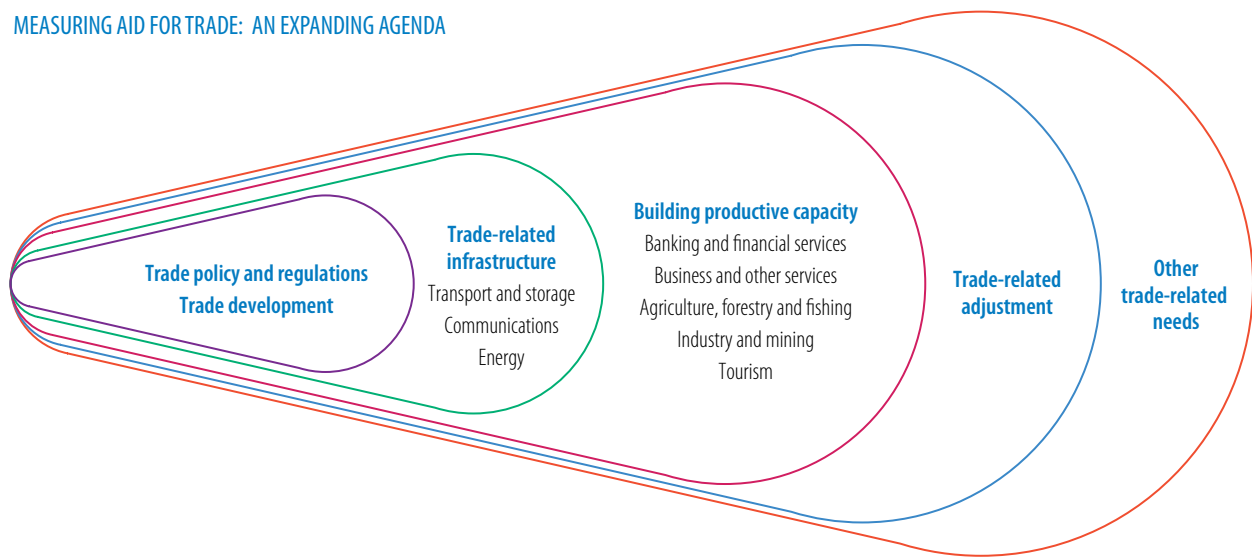
1. demand (*i.e.* mainstreaming and prioritising trade in development strategies);
2. response (*i.e.* aid-for-trade projects and programmes);
3. outcomes (*i.e.* enhanced capacity to trade); and
4. impacts (*i.e.* improved trade performance and reduced poverty).

The monitoring exercise looks at both qualitative and quantitative information provided by partner countries and donor agencies. Qualitative information about “demand” was drawn from partner-country self-assessments sent to all WTO Members and Observers in the form of an OECD/WTO questionnaire. These assessments gathered details about aid-for-trade objectives, priorities, strategies, mainstreaming, dialogue, delivery and financing. The 2011 survey focused mainly on

assessing the progress made since the last Global Review of Aid for Trade in 2009. It also invited partner countries to explain how they measure results in aid-for-trade programmes and projects, and what kind of policy environment is conducive to successful outcomes. Qualitative information about the aid-for-trade “response” was drawn from donors (bilateral and multilateral) and providers of South-South co-operation self-assessment based on an OECD/WTO questionnaire. Here too, the focus was on progress made since 2009, and on the metric for success. For the first time, regional economic communities also provided their assessment of aid for trade.

One innovation in the 2011 monitoring exercise is the inclusion of case stories. In calling upon partner countries and donors to provide case stories, the OECD and the WTO wanted to probe deeper into aid-for-trade objectives, challenges, and processes, as well as to broaden existing knowledge about the outcomes and impacts of aid-for-trade programmes and projects. Case stories offer a range of stakeholders the opportunity to share experiences about what is working (or not) at the national and regional level, why it is working (or not) and what improvements are needed. The case stories also show aid for trade “in action”, providing a narrative on its successes as well as its failures. The case stories increase the visibility of challenges and problems, offering a potentially useful tool for encouraging dialogue about lessons learned among ministries, the private sector and civil society, partners and donors. Moreover bringing local and regional experiences to the global level will enrich the dialogue on how to improve the effectiveness of aid for trade.

## MEASURING AID FOR TRADE: AN EXPANDING AGENDA



These self-assessments and case stories, however, were not without biases. Although Members were encouraged to provide a “whole-of-government” assessment, their answers were most often developed and coordinated by the trade ministry in developing countries and by the trade section in aid agencies – thus creating a sample bias. There was also always the risk that respondents would exaggerate the progress they made – to cast their own efforts in the best possible light – thus creating a response bias. Finally, there was a risk of recall bias - *i.e.* respondents might not have fully remembered the state of play in 2009, and some might not even have been in the relevant job. To balance these inherent biases in self-assessments, the monitoring framework also includes quantitative information.

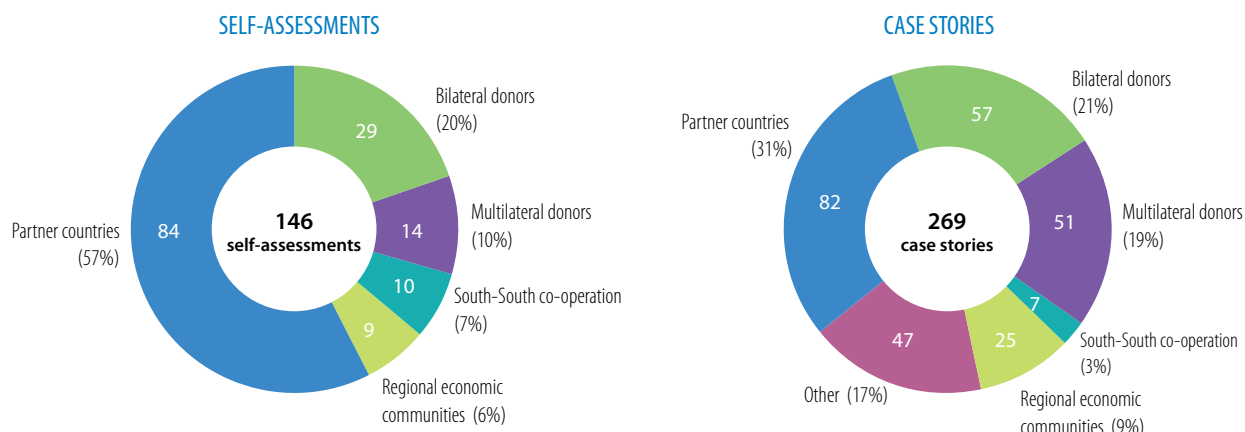
The quantitative data provides detailed information about the “response” (*i.e.* the amount of aid-for-trade flows). This data is taken from the OECD Creditor Reporting System (CRS) database broken down into categories of aid for trade that most closely match the definitions developed by the WTO Task Force - *i.e.* (i) technical assistance for trade policy and regulations; (ii) trade-related infrastructure; (iii) productive capacity building (including trade development); and (iv) trade-related adjustment; and, (v) other trade-related needs: if identified as development priorities in partner countries national development strategies (see above figure).

The CRS – a database covering around 90% of all ODA – was identified by the Task Force as the best available data source for tracking global aid-for-trade flows. The CRS aid-activity database, established in 1967, collects information on official development

assistance (ODA) and other official flows (OOF) to developing countries. It is the internationally recognised source of data on aid activities (allowing for geographical and sectoral breakdowns) and is widely used by governments, organisations and researchers to review ODA trends over time and between agencies.

Quantitative data on the outcome and impact of the Aid-for-Trade Initiative are also included in fact sheets for partner countries that participated in the 2011 monitoring survey. These fact sheets provide a number of stylised facts and indicators that aim to shed light on the four main elements underlying the Aid-for-Trade Initiative (*i.e.* “demand”, “response”, “outcomes” and “impacts”). The fact sheets do not establish any correlation between these four elements, but place them in a country context and allow for at-a-glance cross-country comparisons. In addition, the fact-sheets provide a factual basis for in-country national stakeholder dialogues – involving governments, donors, civil society and the private sector – about the demand for and supply of aid for trade, and the results in terms of trade capacity building and trade performance. Thus they serve as a transparency and accountability tool.

Monitoring the delivery and evaluating the impact of aid for trade improves the incentives for strengthening inter-ministerial co-operation in both donor and partner countries - by encouraging aid agencies to demonstrate to trade ministries the results on the ground, and by encouraging trade ministries to argue the case for trade capacity building in aid agencies. At a global level, monitoring will help donors and partner countries to focus their efforts on those areas where the potential impact of aid for trade is greatest.



### WHO PARTICIPATED IN THE 2011 MONITORING EXERCISE?

In 2011, 84 partner countries (including 31 least-developed countries) submitted an aid-for-trade self-assessment. This number is almost identical to the number of developing countries that participated in the 2008 monitoring exercise. In total, these countries received USD 21.8 billion in aid-for-trade commitments in 2009. This covers 65% of total country-allocated aid for trade (*i.e.* excluding regional and global aid-for-trade programmes). In 2011, 43 bilateral and multilateral donors participated in the monitoring exercise. Again this was similar to the number that participated in 2008. Taken together, these agencies provided practically all aid for trade. Twice as many providers of South-South co-operation participated, ten countries in total including China, India and Brazil.

As noted above, this year’s monitoring exercise included some 269 case stories related to aid-for-trade policies, programmes and processes.<sup>1</sup> The enthusiastic response, three times higher than originally anticipated, is a clear reflection of Members’ active involvement in the Aid-for-Trade Initiative, and their generally positive response to the global monitoring exercise.

### WHAT DO STAKEHOLDERS THINK ABOUT GLOBAL MONITORING?

Developing a credible monitoring mechanism is a work in progress. It is important that monitoring does not become a passive activity, but remains an active review process – one that promotes change by providing feedback to donor and partner countries alike, and that creates an environment for dialogue, knowledge-sharing, the dissemination of best practices and the exchange of information on unfunded trade-related priorities and available donor funding.

In general, donor agencies consider the global-level monitoring of aid for trade either very useful (*i.e.* 13 respondents) or useful (*i.e.* 25 respondents), with multilateral agencies slightly more positive than bilateral donors. However, one donor is not sure about the usefulness of the exercise, while another two, Denmark and Portugal, express reservations. Denmark feels that the objective remains unclear, while Portugal highlights the challenge of collecting quantifiable data. This latter point was echoed by many donors when they discussed how to improve global monitoring. Providers of South-South co-operation also generally view the global monitoring exercise positively. Only one provider was neutral and another not sure. Partner countries are equally positive about the global-level monitoring of aid for trade.

Partners and donors differ over what they see as the major challenge for improving global monitoring. Partner countries highlight the need to distinguish better between aid-for-trade flows and broader ODA flows (see chapter 2). They feel that the concept and definition of aid for trade requires greater clarity.

The lack of clarity results in ambiguous local monitoring, and complicates consultation and coordination among different stakeholders. Although some donors also highlight the need to clarify the definition of aid for trade, they note that the cross-cutting character of trade complicates efforts to demonstrate clearly aid for trade's impact on trade performance. This problem also seems to lie behind the negative assessment of the global monitoring framework by Denmark and Portugal.

The conclusions explore ways to address the inherent tension between the country-based approach – *i.e. considering programmes as aid for trade if these activities have been identified as trade-related priorities in national development strategies* – and the need to establish a fixed baseline to monitor *whether aid for trade is additional, predictable, sustainable and effective*.<sup>2</sup> The suggestion is to continue strengthening the local accountability component of the Initiative through greater partner-country involvement in monitoring and evaluation, and in the results agenda more generally.

## THE STRUCTURE OF THE REPORT

The structure of this report differs from the *Aid for Trade at a Glance 2009* publication. That publication closely followed the aid-for-trade logical framework, with different chapters reporting on the views of developing countries and the views of donors and providers of South-South co-operation. This report is structured more thematically to analyse better how developing countries and donor agencies view the essential components of the Aid-for-Trade Initiative, and where the perspectives converge and diverge. Thus, the remainder of this report is structured as follows:

**Chapter 1** analyses the aid-for-trade strategies, objectives and priorities of partner countries, as well as donor agencies and providers of South-South co-operation, and whether they have evolved since the 2009 monitoring exercise. What was the direction of change – if any? And what were the main drivers of change? This chapter looks towards the near future (2012 - 2013) to find out if any further changes are being planned.

**Chapter 2** provides an aggregate analysis of the aid-for-trade flows based on reporting to the CRS aid activities database. It assesses how much aid for trade was committed and disbursed (in grants and loans), by which donors, to which regions, income groups and countries, and in which aid-for-trade categories. Finally, the chapter discusses whether developing countries recognise the aid-for-trade flows for their country and what can be done to improve transparency at the local level.

**Chapter 3** focuses on the delivery of aid for trade. Is aid for trade implemented according to the principles of the Paris Declaration for Aid Effectiveness? Do partner countries and donor agencies feel that progress has been made since 2009? And what further improvements can be made to the Initiative to increase value for money?

**Chapter 4** looks at what developing countries and donor agencies identify as success in aid for trade. How important are cross-cutting issues, such as green growth or gender? In addition, it discusses the views of developing countries about the importance of complementary policies, such as fiscal or monetary policies, for the success of aid-for-trade programmes and projects. Do they matter and are they being discussed? It also examines what has been achieved so far.

**Chapter 5** reports on what the aid-for-trade case stories tell us about successes and failures, with a particular focus on building productive capacities, facilitating trade, improving infrastructure, technical assistance and policy support and regional programmes.

The **conclusions** look at the way forward in showing aid-for-trade results. It addresses the particular problems of evaluating aid-for-trade programmes. What do recent aid-for-trade evaluations tell us? And how can we do better? The chapter concludes that the results agenda can only be delivered effectively at the country level.

The remainder contains the **aid-for-trade country fact sheets** and all the **aid-for-trade data** used in the analysis. Finally, all the information used in the report is available on the OECD/WTO Aid for Trade website [www.aid4trade.org](http://www.aid4trade.org) ■

## NOTES

- 1 Another 6 case studies were submitted after the 31 May 2011 deadline.
- 2 WTO Task Force WT/AFT/1(2006).

## RESPONSES TO QUESTIONNAIRES AND SUBMISSION OF CASE STORIES

## PARTNER-COUNTRIES

REGION	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>AFRICA</b> Q = 35 CS = 36	Angola; Benin; Botswana; Burkina Faso; Burundi (+2008); Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Ethiopia (+2008); Gabon; Gambia; Ghana; Guinea (+2008); Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Morocco; Mozambique (+2008); Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Swaziland; Togo; Uganda; Zambia; Zimbabwe	Angola; Benin(2); Botswana; Burkina Faso(2); Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Madagascar(2); Malawi(3); Mauritius; Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Sudan; Tanzania <sup>1</sup> ; Zambia(2) <sup>2</sup> ; Zimbabwe
<b>ARAB AND MIDDLE EAST</b> Q = 3 CS = 0	Jordan; Lebanon (+2008); Yemen	
<b>ASIA AND PACIFIC</b> Q = 13 CS = 15	Bangladesh; Fiji; India; Indonesia; Lao PDR; Maldives <sup>3</sup> ; Mongolia; Nepal; Pakistan; Solomon Islands; Sri Lanka; Tonga; Tuvalu <sup>4</sup>	Bangladesh(3); Fiji(3); Indonesia(3); Lao, PDR; Maldives; Nepal <sup>5</sup> ; Pakistan; Solomon Islands; Tonga
<b>CENTRAL AND EASTERN EUROPE AND CENTRAL ASIA</b> Q = 5 CS = 3	Afghanistan; Azerbaijan; Croatia; Kyrgyz Republic; Serbia (+2008)	Azerbaijan; Croatia; Kazakhstan
<b>LATIN AMERICA AND THE CARIBBEAN</b> Q = 28 CS = 28	Antigua and Barbuda; Bahamas; Barbados; Belize; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay	Antigua and Barbuda; Belize; Chile; Colombia(2); Costa Rica(2); Dominica; Dominican Republic; Ecuador(2); El Salvador; Grenada; Guatemala <sup>6</sup> ; Guyana; Haiti; Honduras; Jamaica(3); Mexico; Montserrat <sup>7</sup> ; Peru(3); St. Vincent and the Grenadines; Suriname; Trinidad and Tobago
<b>LDCs</b> Q = 31 CS = 34	Afghanistan; Angola; Bangladesh; Benin; Burkina Faso; Burundi (+2008); Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia (+2008); Gambia; Guinea (+2008); Haiti; Lao, PDR; Lesotho; Madagascar; Malawi; Maldives; Mali; Mozambique (+2008); Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Togo; Tuvalu; Uganda; Yemen; Zambia	Angola; Bangladesh(3); Benin(2); Burkina Faso(2); Burundi; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gambia; Guinea; Haiti; Lao, PDR; Lesotho; Madagascar(2); Malawi(3); Maldives; Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Sudan; Tanzania <sup>8</sup> ; Zambia(2)

1. Submitted after the deadline.

2. Joint submissions with Finland.

3. Maldives graduated from LDC status on 1 January 2011.

4. Neither WTO Member nor Observer.

5. Submitted after the deadline.

6. Joint submission with Canada.

7. Neither WTO Member nor Observer.

8. Submitted after the deadline.

## DONORS

	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>COUNTRY ECONOMY</b> <b>Q = 29</b> <b>CS = 57</b>	Australia; Austria; Belgium; Canada; Czech Republic; Denmark; EU; Finland; France; Germany; Hungary; Ireland; Israel; Italy; Japan; Korea; Lithuania; Luxembourg; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US	Australia(3); Belgium(2); Canada <sup>1</sup> ; Czech Republic; Denmark(2); EU(4); Germany(4) <sup>2</sup> ; Japan(2); Korea; Netherlands; New Zealand(2); Norway(4); Singapore(3); Spain(4); Sweden(2); Switzerland(5); Chinese Taipei(2); UK/DFID(10); US(4)
<b>IGOS</b> <b>Q = 14</b> <b>CS = 51</b>	AfDB; EBRD; FAO; IADB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO	AfDB; ADB(6) <sup>3</sup> ; EBRD(2); IADB(5); IsDB/ITFC(2); ITC(6); UNECA(2); UNCTAD(5); UNIDO(6); WCO(4); World Bank(8); WTO/STDF(3); WTO/TPR

1. Joint submission with ITC.
2. Includes joint submission with Tanzania and with the Kyrgyz Republic.
3. Includes one case story submitted after the deadline.

## SOUTH-SOUTH PARTNERS

	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>Q = 10</b> <b>CS = 7</b>	Argentina; Brazil; Chile; China; Colombia; Ecuador; India; Indonesia; Mexico; Oman	Argentina(3); Brazil; Chile; China; Mexico

## REGIONAL ORGANISATIONS

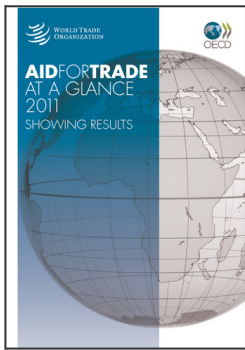
	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>Q = 9</b> <b>CS = 25</b>	CARICOM; CEN-SAD; ECOWAS; ESCWA; OECS; SAARC (e-mail format); SADC; TTCA-NC; WAEMU	CARICOM(4); CEN-SAD; ECOWAS(3); ESCWA(7); OAS(4); OECS(2); SADC; TTCA-NC; WAEMU(2)

## OTHER (ACADEMIA, NGOS, PRIVATE SECTOR, OTHER ORGANISATIONS)

SUBMISSION OF CASE STORY
CEDA; Commonwealth Secretariat(2); COPE; CSEND; CTA; CUTS; ECDPM; Gender focused(13); German Development Institute; IDLO; IICA(3); International Solidarity Foundation <sup>1</sup> ; ICTSD(3); ITAM; ODI(3); Mongolian National Chamber of Commerce and Industry; PwC; SACAU; SIFT; The Global Mechanism(2); UNEP; University of Chile; University Mohammed V Souissi; UPU; WIPO(3)

1. Joint submission with the Cooperative Union of Tierra Nueva.





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